

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

A COMPONENT UNIT OF THE  
WEST FELICIANA PARISH POLICE JURY

ST. FRANCISVILLE, LOUISIANA

OCTOBER 31, 2008 AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/18/09

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

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OCTOBER 31, 2008 AND 2007

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**LANGLINAIS  
BROUSSARD &  
KOHLENBERG**

A Corporation of Certified Public Accountants



**Glen P. Langlinalis, C.P.A.**  
**Michael P. Broussard, C.P.A.**  
**Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.**  
**Sayla L. Falcon, C.P.A.**

**Patrick M. Guldry, C.P.A.**  
**Ashley V. Breaux, C.P.A.**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Commissioners  
West Feliciana Parish Hospital  
Service District No. 1  
St. Francisville, Louisiana

We have audited the accompanying component unit financial statements of West Feliciana Parish Hospital Service District No. 1 (the "Hospital"), a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the years ended October 31, 2008 and 2007. These component unit financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2009, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Hospital taken as a whole. The accompanying supplemental information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, at October 31, 2008 and 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

West Feliciana Parish Hospital has not presented Management's Discussion and Analysis, of which accounting principles generally accepted in the United States has determined is necessary to supplement, but not required to be a part of, the basic financial statements.

LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)

April 15, 2009

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF NET ASSETS

OCTOBER 31,

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,338,320	\$ 6,265,877
Investments, Available for Sale, at Market	6,547,890	6,157,929
Assets Limited as to Use		
Cash	18,466	6,106
Investments, Available for Sale, at Market	255,533	249,590
Receivables		
Accounts receivables, less allowance for doubtful accounts of \$1,450,592 in 2008, and \$1,595,105 in 2007	1,320,386	1,153,536
Due from third party payors	103,369	378,948
Other Receivables	930,211	1,178,463
Inventories	315,420	246,786
Prepaid expenses	74,158	59,483
 Total Current Assets	 <u>15,903,753</u>	 <u>15,696,818</u>
<b>CAPITAL ASSETS</b>		
Land and Land Improvements	396,299	400,264
Buildings and Leasehold Improvements	2,223,805	2,116,452
Equipment	4,161,737	4,777,500
Construction In Process	1,677,261	467,995
Gross Capital Assets	8,459,102	7,762,211
Less: Accumulated Depreciation	(4,249,797)	(5,041,972)
Net Capital Assets	<u>4,209,305</u>	<u>2,720,239</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 20,113,058</u>	 <u>\$ 18,417,057</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF NET ASSETS

OCTOBER 31,

<u>LIABILITIES AND NET ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 300,417	\$ 201,439
Accounts Receivable - Credit Balances	26,382	17,710
Due to Third Party Payors	10,533	231,580
Deferred Uncompensated Care Revenue	1,251,257	1,277,287
Deferred Ad Valorem Tax Revenue	533,561	511,151
Accrued Salaries and Wages	100,320	161,234
Accrued Compensated Absences	149,140	110,528
Total Current Liabilities	<u>2,371,610</u>	<u>2,510,929</u>
<b>TOTAL LIABILITIES</b>	<u>2,371,610</u>	<u>2,510,929</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,209,305	2,720,239
Restricted Net Assets	273,999	255,796
Unrestricted Net Assets	<u>13,258,144</u>	<u>12,930,093</u>
<b>TOTAL NET ASSETS</b>	<u>17,741,448</u>	<u>15,906,128</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 20,113,058</u>	<u>\$ 18,417,057</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF ACTIVITIES

OCTOBER 31,

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Net Patient Service Revenues	\$ 10,264,921	\$ 9,621,893
Other operating revenue	11,730	8,183
TOTAL OPERATING REVENUE	<u>10,276,651</u>	<u>9,630,076</u>
OPERATING EXPENSES:		
Salaries, Wages, and Benefits	4,564,809	4,040,546
Professional Services	2,275,663	1,853,113
Supplies and Other	912,561	939,767
Provision for Bad Debts	1,800,267	1,685,080
Depreciation	496,874	462,351
Other Operating Expenses	905,756	832,376
TOTAL OPERATING EXPENSES	<u>10,955,930</u>	<u>9,813,233</u>
INCOME (LOSS) FROM OPERATIONS	<u>(679,279)</u>	<u>(183,157)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	401,377	517,737
Interest Expense	(3,048)	(4,298)
Tax Revenues	2,047,943	2,045,684
Other Nonoperating Revenues (Expenses)	68,327	104,590
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,514,599</u>	<u>2,663,713</u>
CHANGE IN NET ASSETS	<u>1,835,320</u>	<u>2,480,556</u>
TOTAL NET ASSETS, BEGINNING	<u>15,906,128</u>	<u>13,425,572</u>
TOTAL NET ASSETS, ENDING	<u>\$ 17,741,448</u>	<u>\$ 15,906,128</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF CASH FLOWS

OCTOBER 31,

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from patients	\$ 10,520,115	\$ 10,146,512
Cash payments to suppliers for goods and services	(5,992,863)	(5,593,167)
Cash payments to employees for services	(4,542,507)	(4,055,652)
Net Cash Flow from Operating Activities	<u>(15,255)</u>	<u>497,693</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tax Receipts and Operating Grants	2,067,817	2,112,583
Miscellaneous Income	<u>18,803</u>	<u>22,545</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,086,620</u>	<u>2,135,128</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of Capital Assets	(1,989,087)	(706,361)
Interest Paid	<u>(3,048)</u>	<u>(4,298)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,992,135)</u>	<u>(710,659)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Investments	(2,679,982)	(2,032,632)
Sales and Maturities of Investments	2,284,178	800,000
Interest Received	<u>401,377</u>	<u>517,737</u>
Net Cash Provided by (Used In) Investing Activities	<u>5,573</u>	<u>(714,895)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>84,803</b>	<b>1,207,267</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR, INCLUDING \$6,106 AND \$2,120,623 LIMITED AS TO USE FOR 2008 AND 2007, RESPECTIVELY</b>	<b><u>6,271,983</u></b>	<b><u>5,064,716</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$18,466 AND \$6,106 LIMITED AS TO USE FOR 2008 AND 2007, RESPECTIVELY</b>	<b><u>\$ 6,356,786</u></b>	<b><u>\$ 6,271,983</u></b>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF CASH FLOWS

OCTOBER 31,

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (679,279)	\$ (183,157)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	496,874	462,351
Provision for Doubtful Accounts	1,800,267	1,685,080
Loss on Disposal of Fixed Assets	3,147	-
Increase in Patient Accounts Receivable	(1,958,445)	(1,724,609)
(Increase) Decrease in Due from Third Party Payors	275,579	(367,807)
(Increase) Decrease in Other Receivables	248,252	(108,421)
(Increase) Decrease in Inventories	(68,634)	33,693
Increase in Prepaid Expenses	(14,675)	(10,307)
Increase in Accounts Payable	98,978	97,161
Increase (Decrease) in Due to Third Party Payors	(221,047)	42,638
Decrease in Deferred Uncompensated Care Revenue	26,030	555,965
Decrease in Accrued Salaries and Wages	(60,914)	(1,525)
Increase in Accrued Compensated Absences	38,612	16,631
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (15,255)	\$ 497,693

The accompanying notes are an integral part of these financial statements.



WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital District No. 1 (the "Hospital") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is composed of all the territory situated within the limits of the Parish of West Feliciana.

The governing authority of the Hospital consists of a board of seven commissioners, all of whom are qualified electors of West Feliciana Parish. The Commissioners serve with pay, per diem, and reimbursement of actual out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the Hospital is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, and improve hospitals, clinics, laboratories, nursing homes, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the Hospital will find useful in the study of, research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

The Hospital's component unit financial statements are an integral part of the West Feliciana Parish Police Jury's comprehensive annual financial report.

GASB Statement NO. 34

During fiscal year 2002, the Hospital elected to early implement GASB Statement No. 34, "Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

*Invested in capital assets, net of related debt* consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

Basis of Presentation

The Hospital's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a Proprietary Fund, the Hospital distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital's proprietary fund are charges to customers related to patient services. Operating expenses for the Hospital's proprietary fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Hospital in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

State statutes authorize the Hospital to invest in obligations of U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

Investments

All investments are stated at fair value based on quoted market price. Changes in fair value of investments are included in investment income.

Inventories

Inventories are valued at lower of cost (First-In, First-Out Method) or market.

Property Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the Hospital collecting less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts estimated by management to be collectible.

Property and Equipment

Property and equipment is stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements, and improvements of minor importance are expensed. Major replacements and improvements are capitalized.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Patient service revenue

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive settlements are provided for some of the governmental payment programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from third-party payors in the financial statements. The difference between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made.

Vacation Pay

Accumulated unpaid vacation is accrued when earned. Employees can earn and vest in vacation leave according to years of service as shown below. Employees only vest in vacation leave after one year of employment.

<u>Years of Service:</u>	<u>Full Time Employees</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

NOTE 2 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare

Prior to January 1, 2002, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education cost related to Medicare beneficiaries were paid based on a cost reimbursement methodology and predetermined fee schedules. The Hospital became a "Critical Access Hospital" (CAH) effective January 1, 2002. This enabled the hospital to receive cost based reimbursement from Medicare on or after January 1, 2002. The hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports and audits of these reports by the Medicare fiscal intermediary. The difference between established billing rates and reimbursements are recorded as contractual adjustments to patient service revenue.

The Hospital's classification of patients under the Medicare Program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports for the fiscal years ended through October 31, 2006, have received final settlements from the Medicare fiscal intermediary.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 2 - NET PATIENT SERVICE REVENUE - Continued

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology and predetermined fee schedules. The Hospital is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been reviewed by the Medicaid fiscal intermediary through October 31, 2005.

Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care (UCC) payments. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per diem rates are not subject to retroactive adjustments.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospective daily rates.

Revenue from the Medicare, Medicaid, and Uncompensated Care Cost (UCC) programs accounted for approximately 22.3 percent, 10.0 percent, and 18.8 percent, respectively, of the Hospital's net patient revenue for the year ended October 31, 2008, and 24.2 percent, 9.0 percent and 16.2 percent, respectively, of the Hospital's net patient revenue, for the year ended October 31, 2007. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2008 net patient service revenue decreased approximately \$13,795 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

NOTE 3 - CASH AND INVESTMENTS

At October 31, for the years ended 2008 and 2007, the Hospital's carrying amount of deposits was \$6,356,786 and \$6,271,983 and the bank balance was \$6,485,510 and \$6,509,305 respectively.

On October 3, 2008, the U.S. Congress approved an increase in FDIC coverage to a maximum \$250,000 per depositor, per institution through December 31, 2009. Prior to this, coverage was limited to \$100,000 per depositor, per institution. Of the bank balance, \$345,793 and \$200,000 for the years 2008 and 2007, respectively, were covered by federal depository insurance.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 3 - CASH AND INVESTMENTS - Continued

Cash deposits at the Bank of St. Francisville were under-collateralized as of October 31, 2008 by approximately \$242,753. All of the remaining balances were collateralized with securities held by the pledging financial institutions' trust departments or agents in the financial institutions' name.

Investments consist of certificates of deposits with financial institutions, U.S. Treasury Bills, U.S. Treasury Notes, Merrill Lynch FNMA Notes and an interest in the Louisiana Hospital Investment Pool. Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the Hospital or its agent in the Hospital's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the hospital's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the Hospital's name.

At October 31, 2008, the Hospital's investment balances were as follows:

	<u>Category</u>			<u>Carrying Value</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	\$1,415,944	\$ 713,975	\$ -	\$2,129,919	\$2,129,919
U.S. T-Bills	-	2,044,377	-	2,044,377	2,044,377
FNMA Notes	-	2,628,956	-	2,628,956	2,628,956
Investment Pool	-	171	-	171	171
Total	<u>\$1,415,944</u>	<u>\$5,387,479</u>	<u>\$ -</u>	<u>\$6,803,423</u>	<u>\$6,803,423</u>

NOTE 4 - ACCOUNTS RECEIVABLE - PATIENTS

Accounts Receivable - Patients consists of the following:

	<u>October 31, 2008</u>	<u>October 31, 2007</u>
Total Patient Accounts Receivable	\$ 2,770,979	\$ 2,748,641
Less: Allowance for Uncollectible Accounts	<u>(1,450,593)</u>	<u>(1,595,105)</u>
Net Patient Accounts Receivable	<u>\$ 1,320,386</u>	<u>\$ 1,153,536</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable - Other consists of the following:

	<u>October 31,</u> <u>2008</u>	<u>October 31,</u> <u>2007</u>
Uncollected Sales Tax Revenue	\$ 327,144	\$ 318,233
Accrued Maintenance Ad Valorem Tax Revenue	533,152	511,151
All Other	<u>69,915</u>	<u>349,079</u>
Total Accounts Receivable - Other	\$ <u>930,211</u>	\$ <u>1,178,463</u>

NOTE 6 - ASSETS LIMITED AS TO USE

Assets whose use is limited under agreements with third party payors for funded depreciation are summarized as follows. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

	<u>October 31,</u> <u>2008</u>	<u>October 31,</u> <u>2007</u>
<u>Investments</u>		
Merrill Lynch		
FNMA Notes		
Yielding 5.00%	255,533	249,690
<u>Cash</u>		
Merrill Lynch		
Cash and Government Fund		
Yielding .47% to 1.50%	<u>18,466</u>	<u>6,106</u>
Total Assets Limited As to Use	\$ <u>273,999</u>	\$ <u>255,796</u>

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant, and Equipment is as follows:

	<u>Asset life</u> <u>in years</u>	<u>10/31/2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>10/31/2008</u>
Land and Land Improvements		\$ 400,264	\$ -	\$ 3,965	\$ 396,299
Building and Leasehold Imp.	5 - 40	2,116,452	133,850	26,497	2,223,805
Equipment	5 - 20	4,777,500	645,971	1,261,734	4,161,737
Construction in Progress		<u>467,995</u>	<u>1,209,266</u>	<u>-</u>	<u>1,677,261</u>
Gross Capital Assets		7,762,211	1,989,087	1,292,196	8,459,102
Allowance for Depreciation		<u>(5,041,972)</u>	<u>(496,874)</u>	<u>(1,289,049)</u>	<u>(4,249,797)</u>
Total Property, Plant and Equipment		\$ <u>2,720,239</u>	\$ <u>1,492,213</u>	\$ <u>3,147</u>	\$ <u>4,209,305</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 8 - OTHER NONOPERATING REVENUE

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish. The sales tax is used for the operation of the Hospital and the property tax is to be used for operation and maintenance of the Hospital.

NOTE 9 - RETIREMENT PLAN

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches dollar for dollar of contributions made by an employee up to six percent of the employees compensation. Total payroll for the fiscal years ended October 31, 2008 and 2007, was \$3,714,322 and \$3,312,054 respectively. Covered payroll was \$3,652,727 and \$3,285,765 for the years 2008 and 2007, respectively. Total pension expense was \$132,200 and \$128,384 for 2008 and 2007, respectively.

NOTE 10 - PAYMENTS TO BOARD MEMBERS

The following is a schedule showing the amount paid to board members for the years ended October 31:

	2008	2007
Mitch Brasier	\$ 320	\$ 320
Walter Weller	40	240
Raymond Minor	400	440
John Thompson	40	360
Charlie Daniel	-	80
Thomas Flynn	320	280
Patrician Gilmore	-	280
David Walker	400	200
Cheryl Franklin	440	40
Barbara Edmisten	360	-
Sydney Walker	360	-
Total Director's Fees	<u>\$ 2,680</u>	<u>\$ 2,240</u>

NOTE 11 - INSURANCE RISK

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) Hospital professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The Hospital carries commercial insurance for all other risks of loss. As of the balance sheet date, the Hospital has no malpractice claims exceeding its coverage.



WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in St. Francisville, Louisiana, and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Medicare	21.4%	23.8%
Medicaid	11.3%	12.9%
Commercial and other third-party payers	<u>67.3%</u>	<u>63.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

NOTE 13 - DEFERRED UNCOMPENSATED CARE REVENUE

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

NOTE 14 - OPERATING LEASES

LESSEE

The Hospital leases various equipment and facilities that are classified as operating leases. At October 31, 2008, there were no operating leases with remaining terms in excess of one year.

Total lease expense was \$131,414 in 2008 and \$115,813 in 2007.

LESSOR

The Hospital leases office space within the hospital to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenues from these leases totaled \$11,820 in 2008 and \$16,390 in 2007.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

PATIENT SERVICE REVENUE

	<u>2008</u>	<u>2007</u>
Nursing Services	\$ 520,810	\$ 475,083
Emergency Services	1,907,528	1,771,334
Emergency Services - Physician's Fees	1,159,752	1,004,187
Central Services	43,755	43,186
Laboratory	2,116,581	2,115,635
Blood Bank	24,653	11,428
Radiology -Diagnostic	810,773	769,156
Ambulance Service	877,065	767,058
Respiratory Therapy	611,045	585,086
Pharmacy	402,602	504,923
Physical Therapy	866,732	711,326
Electrocardiology	99,462	90,399
Occupational Therapy/Clinical Services	113,862	75,109
Speech Therapy	47,239	26,730
Ultrasound	213,420	183,673
All Other	<u>2,546,401</u>	<u>2,181,036</u>
Gross Patient Service Revenue	12,361,680	11,315,349
Less Contractual Adjustments	<u>(4,030,854)</u>	<u>(3,253,397)</u>
Net Patient Service Revenue before Uncompensated Care	8,330,826	8,061,952
Uncompensated Care Income	<u>1,934,095</u>	<u>1,559,941</u>
Net Patient Service Revenue	<u>\$ 10,264,921</u>	<u>\$ 9,621,893</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2008</u>	<u>2007</u>
<b>SALARIES, WAGES, AND BENEFITS</b>		
Nursing	\$ 918,086	\$ 875,338
Laboratory Technicians	302,351	283,928
Dietary Management	102,139	105,397
Respiratory Therapy	245,728	203,464
Radiology	261,441	192,972
Business Office	405,414	334,485
Administrative	160,669	148,189
Plant Operations	178,016	156,301
Medical Records	119,378	126,498
Housekeeping	130,345	114,653
Ambulance	588,506	507,944
Utilization Review	67,014	61,355
All other salaries and benefits	<u>1,085,722</u>	<u>930,022</u>
Total Salaries, Wages, and Benefits	<u>\$ 4,564,809</u>	<u>\$ 4,040,546</u>

**PROFESSIONAL FEES**

Pharmacy	\$ 50,400	\$ 50,755
Respiratory Therapy	28,334	55,099
Laboratory	97,891	97,253
Administrative	87,841	60,441
Laundry/Linen	106,216	96,080
EKG	4,646	7,387
Plant Operations	67,414	52,722
Radiology	17,453	16,284
Physical Therapy	267,977	253,920
Ultrasound	380	-
Dietary	15,730	6,120
Business Office	16,095	9,519
Occupational Therapy	48,945	33,030
Doctor's Offices	6,450	4,550
ER Physician Fees	878,388	736,926
Intensive Outpatient Psychiatric Program	219,960	31,390
All Other	<u>361,543</u>	<u>341,637</u>
Total Professional Fees	<u>\$ 2,275,663</u>	<u>\$ 1,853,113</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2008</u>	<u>2007</u>
<b>SUPPLIES AND OTHER EXPENSES</b>		
Laboratory	\$ 206,578	\$ 245,166
Nursing	53,473	32,677
Radiology	28,687	13,747
Pharmacy	140,942	157,599
Central Services	48,465	121,371
Business Office	59,587	34,053
Dietary	42,383	29,867
Plant Operations	110,806	86,105
Housekeeping	26,508	19,444
Ambulance	81,235	80,882
Physical Therapy	9,673	2,426
Administrative	20,996	17,472
Respiratory Therapy	22,145	32,229
Surgery	781	4,371
All Other	60,302	62,358
Total Supplies and Other Expenses	<u>\$ 912,561</u>	<u>\$ 939,767</u>
<b>OTHER OPERATING EXPENSES</b>		
Ambulance	\$ 5,709	\$ 1,180
Laboratory	4,055	15,461
Radiology	39,065	36,619
Pharmacy	263	205
Nursing Services	22,247	11,381
Medical Records	3,619	2,779
Plant Operations	161,364	162,231
Collection Fees	81,772	81,026
Audit and Legal Fees	38,778	40,718
Postage	10,920	9,814
Equipment Rental	131,414	115,813
Dues and Subscriptions	17,586	19,177
Administrative	121,043	89,878
All Other	267,921	246,094
Total Other Operating Expenses	<u>\$ 905,756</u>	<u>\$ 832,376</u>

**LANGLINAIS  
BROUSSARD &  
KOHLENBERG**

A Corporation of Certified Public Accountants



*Ellen P. Langlinalis, C.P.A.  
Michael P. Broussard, C.P.A.  
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.  
Gayla L. Falcon, C.P.A.*

*Patrick M. Guldry, C.P.A.  
Ashley V. Breux, C.P.A.*

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
West Feliciana Parish Hospital  
Service District 1  
St. Francisville, Louisiana

We have audited the general purpose financial statements of West Feliciana Parish Hospital Service District No. 1 (the "Hospital"), a component unit of West Feliciana Parish Police Jury, as of and for the years ended October 31, 2008 and 2007, and have issued our report thereon dated April 15, 2009.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider all deficiencies described in the accompanying schedule of findings and questioned cost to be material weaknesses in internal control over financial reporting.

COMPLIANCE

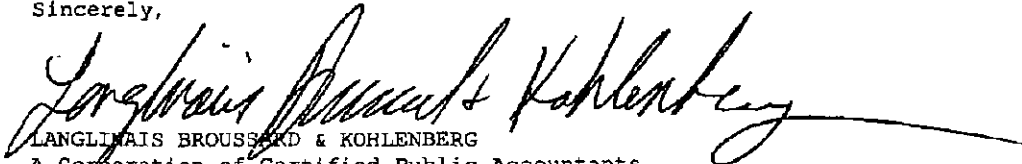
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The hospital's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Questioned Costs". We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Hospital and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLAIS BROUSSARD & KOHLENBERG  
A Corporation of Certified Public Accountants

April 15, 2009

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

We have audited the financial statements of West Feliciana Hospital Service District No.1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the year ended October 31, 2008 and 2007, and have issued our report thereon dated April 15, 2009.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of October 31, 2008 resulted in an unqualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance

Compliance Material to Financial Statements	Yes
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Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2008-1 Pledged Collateral

**Condition:** It was found that funds deposited were greater than the amount of collateral pledged by the financial institution.

**Criteria:** To ensure good internal controls, best practices for governmental entities, and compliance with Louisiana and United States law and regulations.

**Effect:** The hospital is not in compliance with LA R.S. 6:748, which requires collateralization of deposits in excess of Federal Deposit Insurance Corporation limits.

**Recommendation:** The hospital should monitor the pledged securities of banks that hold their deposits to ensure that hospital deposits are properly secured and in compliance with Louisiana Law.

**Management's Response:** The CFO will monitor the pledged securities of banks that hold their deposits to ensure that hospital deposits are properly secured and in compliance with Louisiana Law.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2008-2 Disaster Pay

**Condition:** It appears that the Hospital paid employees that were unable to come to work during the days after Hurricane Gustav "disaster" pay; this may be defined as payment for non-services.

**Criteria:** To ensure good internal controls, best practices for governmental entities, and compliance with Louisiana and United States law and regulations.

**Effect:** This situation appears to have violated LA R.S. 42:1111 which addresses payments for services to the governmental entity. It also may result in overstated wages.

**Recommendation:** The hospital should seek legal consultation on this matter.

**Management's Response:** The CEO will seek legal consultation and make appropriate corrective action with employee pay.

Finding 2008-3 Compliance

**Condition:** The hospital has reported several compliance issues to the board pertaining to the fiscal year under audit. The hospital's maintenance supervisor is suspected to have used hospital equipment and salvaged goods for personal use, and the Hospital's CEO was receiving compensation from a vendor of the hospital.

**Criteria:** To ensure good internal controls, best practices for governmental entities, and compliance with Louisiana and United States law and regulations.

**Effect:** Reported issues include possible violations of Louisiana Code of Governmental Ethics, LA R.S. 42:1101, LA R.S. 42:1112, Louisiana Constitutional Article VII, Section 14, LA R.S. 49:125, and several of the Hospital's own policies, including its Code of Conduct.

**Recommendation:** The hospital should continue to consult with its compliance attorney on these matters and seek to improve policies and procedures to include preventative and monitoring controls on compliance matters.

**Management's Response:** The CEO and compliance committee will continue to consult with its compliance attorney on reported compliance issues and seek to improve policies and procedures to include preventative and monitoring controls on compliance matters. The CEO as since been terminated.



WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

**B- Significant Deficiencies**

**Finding 2008-4 Financial Statement Preparation**

**Condition:** The hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and because of the limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also continue to outsource the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

**Management Response:** The hospital's accounting personnel will continue to attend education courses to further their knowledge in the application of GAAP. The hospital will also continue to outsource the preparation of its financials to independent auditors annually, and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

**Finding 2008-5 Segregation of Duties**

**Condition:** The hospital has several employees whose duties are not segregated.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** The authorization, recording, and reconciliation of transactions and decisions and the custody of assets related to those transactions should be segregated.

**Management Response:** The hospital will continue to segregate duties where financially feasible.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2008-6 Accounts Receivable Write-offs

**Condition:** Accounts receivable write-offs are being approved by management in total amount per batch and quantity of accounts only.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** A member of management should review the detailed list of bad debts as proposed by CPSI. The board should also approve the bad debt amount.

**Management Response:** Before sending accounts weekly to the Collection Agency the Business Office Manager will get the CEO's written approval.

Finding 2008-7 Contracts

**Condition:** A department head acquired bids and signed a contract obligating the Hospital for a period of six months for approximately \$2,300 per month. The hospital's purchasing policy requires all purchases to go through the purchasing department and that all contracts over \$1,000 be approved by the board.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** All employees should follow the hospital's purchasing and contract policies. The governing body and members of management should monitor and approve contracts such that the hospital is not susceptible to any undue exposure.

**Management Response:** All employees will follow the hospital's purchasing and contract policies. The governing body and CEO will monitor and approve all contracts.

Finding 2008-8 Credit Cards

**Condition:** The hospital has several credit cards, of which only one is monitored by purchasing. Some credit cards are held on a department manager's person. The general use credit card statement shows the account as being under the administrator's name.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2008-8 Credit Cards, Cont'd.

**Recommendation:** Credit cards and credit accounts should be limited to those of utmost necessity. All purchases made on credit cards should follow purchasing procedures. Credit cards should be kept in one secure location and credit card use should be logged. All credit cards should be in the hospital's name only.

**Management Response:** All hospital credit cards are kept secure with the purchasing department. Credit card use is logged and credit card purchases follow purchasing procedures.

Finding 2008-9 Receipts

**Condition:** The custody of payments received through the mail is exchanged through several employees. There is no cash receipts log kept and possession of receipts is not tracked. There is no procedure to ensure that checks received are deposited.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** Payments received should be logged and possession of the payments should be tracked. The preparer of the deposit should match the amount of checks received to the amount that is deposited.

**Management Response:** The receptionist will log payments received through the mail with possession tracked. At the end of the day the receptionist will match the checks received to the deposit list.

Finding 2008-10 Voided Checks

**Condition:** It was found that voided payroll checks are not being recorded and defaced in a timely manner.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** Voided checks should be defaced and recorded immediately after the decision to void them is made.

**Management Response:** Voided payroll checks will be defaced and recorded immediately after the decision to void them is made.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2008-11 Disaster Payroll Policy

**Condition:** During the days after Hurricane Gustav, it was found that employees who worked were paid at overtime rates for regular hours worked.

**Criteria:** To ensure good internal controls and best practices for governmental entities.

**Effect:** This condition represents a material weakness in the Hospital's internal control system.

**Recommendation:** The hospital should create a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time.

**Management Response:** The CEO and Compliance Committee will create a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time.

SECTION III: Management Letter Items

There are no management letter items at October 31, 2008.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2007-1 Criminal Background Checks

Criminal background checks are not performed upon the hiring of key employees.

Resolved.

Finding 2007-2 Financial Statement Preparation

The hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and because of the limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Unresolved. See 2008-4.

Finding 2007-3 Segregation of Duties

The hospital has several employees whose duties are not segregated.

Unresolved. See 2008-5.

Finding 2007-4 Disposal of Assets

Disposed assets are not communicated to accounting for proper recording on a timely basis.

Resolved.

Finding 2007-5 Vacations

Continuous vacations are not mandatory for key employees.

Resolved.

Finding 2007-6 Accounts Receivable Write-Offs

Accounts receivable write-offs proposed by CPSI are not being reviewed and approved by someone in management.

Unresolved. See 2008-6.

WEST FELICIANA PARISH HOSPITAL  
SERVICE DISTRICT NO. 1  
PARISH OF WEST FELICIANA  
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED OCTOBER 31, 2008

Finding 2007-7 Payroll

The payroll register is not reviewed by an employee at least one level above the payroll clerk.

Resolved.

Finding 2007-8 Central Supply

Access to central supply items is not limited to central supply employees; employees from other departments are allowed to take supplies from central supply.

Resolved.

Finding 2007-9 Deposits

The policy that mandates the person who brings the deposit to the bank to sign is not being followed consistently. An observation of the log showed many days each month that deposits had not been signed out.

Resolved.



# West Feliciana Parish Hospital

PO Box 368 • 5266 Commerce Street • St. Francisville, Louisiana 70775 • Phone (225) 635 - 3811 • Fax (225) 635 - 2435

4/13/09

Legislative Audit Advisory Council  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Council Members,

The hospital will take the following actions in response to the findings of our auditor, Langlinais, Broussard and Kohlenberg for the fiscal year ending 10/31/2008.

**Finding 1. Pledged Collateral**

Response: The CFO will monitor the pledged securities of banks that hold their deposits to ensure that hospital deposits are properly secured and in compliance with Louisiana Law.

**Finding 2. Disaster Pay**

Response: The CEO will seek legal consultation and make appropriate corrective action with employee pay.

**Finding 3. Compliance Issues**

Response: The CEO and compliance committee will continue to consult with its compliance attorney on reported compliance issues and seek to improve policies and procedures to include preventative and monitoring controls on compliance matters.

**Finding 4. Financial Statement Preparation**

Response: The hospital's accounting personnel will continue to attend education courses to further their knowledge in the application of GAAP. The hospital will also continue to outsource the preparation of its financials to independent auditors annually, and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

**Finding 5. Segregation of Duties**

Response: The hospital will continue to segregate duties where financially feasible.

**Finding 6. Accounts Receivable Write-offs**

Response: Before sending accounts weekly to the Collection Agency the Business Office Manager will get the CFO's written approval.

Finding 7. Contracts

Response: All employees will follow the hospital's purchasing and contract policies. The governing body and CEO will monitor and approve all contracts.

Finding 8. Credit Cards

Response: All hospital credit cards are kept secure with the purchasing department. Credit card use is logged and credit card purchases follow purchasing procedures.

Finding 9. Receipts

Response: The receptionist will log payments received through the mail with possession tracked. At the end of the day the receptionist will match the checks received to the deposit list.

Finding 10. Voided Checks

Response: Voided payroll checks will be defaced and recorded immediately after the decision to void them is made.

Finding 11. Disaster Payroll Policy

Response: The CEO and Compliance Committee will create a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time.

*Linda Harvey*  
*Interim CEO*